

OXFORD NANOPORE TECHNOLOGIES PLC
TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE
EFFECTIVE FROM 5 OCTOBER 2021

The Audit and Risk Committee (the **Committee**) is a committee of the board of directors (the **Board**) of Oxford Nanopore Technologies plc (the **Company**) from which it derives its authority and to which it regularly reports. The Board has established the Committee to support it in its responsibilities for ensuring the adequacy of risk management, internal control and governance arrangements and that funds are used efficiently and effectively.

These Terms of Reference are reviewed annually by the Committee, or when required by changes to regulation or legislation, and were most recently approved by the Board on 18 March 2021 and were effective upon the initial public offering of the Company on 5 October 2021.

1. MEMBERSHIP

- 1.1 The Committee shall comprise a chair and a minimum of two other members. Members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee in consultation with the chair of the Committee.
- 1.2 All members of the Committee shall:
- 1.2.1 be independent non-executive directors as determined by the Board (in accordance with the principles of the UK Corporate Governance Code 2018 (the **Code**), which the Company has chosen to comply with in part on a voluntary basis);
 - 1.2.2 at least one of whom shall have recent and relevant financial experience and with competence in accounting and/or auditing or both, such as a professional qualification from one of the professional accountancy bodies; and
 - 1.2.3 have competence relevant to the sector in which the Company operates.
- 1.3 The chair of the Board shall not be a member of the Committee.
- 1.4 Appointments to the Committee shall be for a period of up to three years, which may be extended for up to two additional three-year periods, provided members still meet the criteria for membership of the Committee (including as to independence).
- 1.5 The Board shall appoint the Committee chair. In the absence of the Committee chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.
- 1.6 If any member of the Committee is unable to act for any reason, the chair of the Committee may appoint any other independent non-executive director of the Company to act as their alternate.

2. SECRETARY

The Company Secretary, or their nominee, shall act as the secretary of the Committee and provide all necessary support to the Committee, including the recording of Committee minutes and ensuring that the

Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

3. QUORUM

The quorum necessary for the transaction of business at a Committee meeting shall be two members present in person or by audio or video conference.

4. MEETINGS

4.1 The Committee shall meet at least four times a year at appropriate times in the financial reporting and audit cycle and otherwise as required, and in any event so that attendance is maximised.

4.2 Only members of the Committee and those entitled to attend as an observer have the right to attend Committee meetings. However, the Chief Financial Officer and external audit lead partner will be invited to attend meetings of the Committee on a regular basis and other individuals (including the chair of the Board and the Chief Executive Officer) may be invited to attend all or part of any meeting as and when appropriate and with the agreement of the Committee chair.

4.3 Outside of the formal meeting programme, the Committee chair will maintain a dialogue with key individuals involved in the Company's governance, including the chair of the Board, the Chief Executive Officer, the Chief Financial Officer and the external audit lead partner.

5. NOTICE OF MEETINGS

5.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of the external audit lead partner or head of internal audit if they consider it necessary.

5.2 Unless otherwise agreed by the Committee, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person invited to attend no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time, so far as practicable. Late papers will be accepted by agreement with the Committee chair. Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

6. MINUTES OF MEETINGS

6.1 The secretary of the Committee shall minute the proceedings, decisions and resolutions of all Committee meetings, including recording the names of those present and in attendance.

6.2 Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless a conflict of interests exists or, in the opinion of the Committee chair and on an exceptional basis, it would be inappropriate to do so.

7. **ENGAGEMENT WITH SHAREHOLDERS**

The Committee chair should attend the annual general meeting to answer any shareholder questions on the Committee's activities. In addition, the Committee chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

8. **DUTIES**

8.1 The Committee should have oversight of the Company and its subsidiary undertakings (the **Group**) as a whole and, unless required otherwise by regulation, carry out the duties below for the Group as a whole, as appropriate.

8.2 Financial Reporting

8.2.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary announcements and any other formal statements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the external auditor.

8.2.2 In particular, the committee shall review and challenge where necessary:

8.2.2.1 the application of significant accounting policies and any changes to them;

8.2.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

8.2.2.3 where the Group has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;

8.2.2.4 the clarity and completeness of disclosures in the financial statements and the context in which statements are made; and

8.2.2.5 all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.

8.2.3 The Committee shall also review significant financial returns to regulators and any statements requiring Board approval which contain financial information, such as announcements of inside information, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook.

8.2.4 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

8.3 Narrative Reporting

- 8.3.1 Where requested by the Board, the Committee should review the content of the annual report and financial statements and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

8.4 Internal controls and risk management systems

Financial controls

- 8.4.1 The Committee shall keep under review the Group's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems.

Annual reporting

- 8.4.2 The Committee shall review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement.

- 8.4.3 The Committee shall assist the Board to draw on the results of the Committee's ongoing monitoring process and appropriately documented evidence to support the relevant statements and confirmations required from the Board in the annual report and half yearly financial statements, including:

8.4.3.1 that the Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;

8.4.3.2 how the Board has assessed the prospects of the Company, over what period it has done so and why it considers that period to be appropriate;

8.4.3.3 whether the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment; and

8.4.3.4 the appropriateness of adopting the going concern basis of accounting in the financial statements and whether there are any material uncertainties as to the Company's ability to continue to do so over a period of at least twelve months from the date of the approval of the financial statements.

Risk management strategy

- 8.4.4 The Committee shall assist the Board with the definition and execution of a risk management strategy, risk policies and current risk exposures, including any prudential risks.

- 8.4.5 In support of the Board's risk management strategy, the Committee shall:

8.4.5.1 ensure the Committee delivers effective monitoring of risk management systems and risk appetite across the Company by working closely at all times with the Chief Financial Officer;

- 8.4.5.2 review the Company's compliance system of corporate standards and procedures and assess the effectiveness of those standards and procedures;
- 8.4.5.3 assess the policies and systems within the Company for ensuring compliance with safety and environmental regulatory requirements;
- 8.4.5.4 assess the performance of the Company with regard to the impact of safety and environmental decisions and actions upon employees, communities, other third parties and the overall reputation of the Company;
- 8.4.5.5 evaluate and oversee, on behalf of the Board, the quality and integrity of any reporting to external stakeholders concerning safety and environmental issues;
- 8.4.5.6 ensure the adequacy of insurance coverage for the Company;
- 8.4.5.7 maintain a risk register which will identify all material risks, evaluate any financial impact of such risks, identify actions to mitigate or avoid any potential impact from such risks and, going forward, monitor and review the risks; and
- 8.4.5.8 review the results of independent audits of the Company's performance in regard to safety and environmental matters, review any strategies and action plans developed by management in response to issues raised and, where appropriate, make recommendations to the Board concerning the same.
- 8.4.6 The Committee shall advise the Board on the Company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment.
- 8.4.7 The Committee shall oversee and advise the Board on the current risk exposure of the Group and future risk strategy and the steps taken to manage those risks.
- 8.4.8 The Committee shall monitor and review:
 - 8.4.8.1 the Company's capability to identify and manage new risk types;
 - 8.4.8.2 the effectiveness of the Company's risk management and internal control systems;
 - 8.4.8.3 the Company's procedures to manage or mitigate principal risks and to identify emerging risks, to assist in the Board's assessment of principal and emerging risks; and
 - 8.4.8.4 the Company's risk appetite and associated stress testing.

8.5 Compliance, whistle blowing, fraud and bribery

- 8.5.1 The Committee shall:
 - 8.5.1.1 review the adequacy and security of the Group's arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible

wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;

8.5.1.2 review the Group's procedures for detecting fraud; and

8.5.1.3 review the Group's systems and controls for the prevention of bribery, money laundering and modern slavery and receive reports on non-compliance.

8.6 Internal Audit

8.6.1 The Committee shall:

8.6.1.1 review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation;

8.6.1.2 review and approve the annual internal audit work plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out;

8.6.1.3 ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;

8.6.1.4 ensure the internal auditor has direct access to the Board chair and to the Committee chair, providing independence from the executive and accountability to the Committee;

8.6.1.5 carry out an annual assessment of the effectiveness of the internal audit function and as part of this assessment:

(A) review and assess the annual internal audit work plan;

(B) receive a report on the results of the internal auditor's work;

(C) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and

(D) review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function;

8.6.1.6 monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system and the work of compliance, finance and the external auditor; and

8.6.1.7 consider whether an independent, third party review of processes is appropriate.

8.7 External Audit

8.7.1 The Committee shall:

- 8.7.1.1 have prime responsibility for the appointment of the Company's external auditor and consider and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor;
- 8.7.1.2 ensure that at least every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender develop and oversee the selection procedure for the appointment of the audit firm, in accordance with applicable regulatory requirements and the Code (for so long as the Company has elected to voluntarily comply with such provisions of the Code), ensuring that all tendering firms have access to all necessary information and individuals during the tender process;
- 8.7.1.3 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 8.7.1.4 oversee the relationship with the external auditor. In this context the Committee shall:
 - (A) consider and approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
 - (B) approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (C) discuss, before the audit starts, the nature and scope of the audit;
 - (D) assess annually the external auditor's independence and objectivity taking into account relevant law, regulation, the FRC's Revised Ethical Standard 2019 (the **Ethical Standard**) and other professional requirements and the Group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
 - (E) assess annually all relationships between the Company and the external auditor, and satisfy itself that there are no relationships between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity;
 - (F) monitor the external auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;

- (G) monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
- (H) assess annually the qualifications, expertise and resource, and independence of the external auditor and the effectiveness of the external audit process, which shall include an assessment of the quality of the audit, the handling of key judgements by the external auditor, and the external auditor's response to questions from the Committee and a report from the external auditor on their own internal quality procedures;
- (I) seek to ensure the co-ordination of the external audit with the activities of the internal audit function; and
- (J) evaluate the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the Committee;

8.7.1.5 agree with the Board a policy on the employment of former employees of the Company's external auditor, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy;

8.7.1.6 develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the external auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should be kept under review and include consideration of the following matters:

- (A) threats to the independence and objectivity of the external auditor and any safeguards in place;
- (B) the nature of the non-audit services;
- (C) whether the external audit firm is the most suitable supplier of the non-audit service;
- (D) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
- (E) the criteria governing compensation;

8.7.1.7 meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present, to discuss the audit findings and the external auditor's remit and any issues arising from the audit;

- 8.7.1.8 discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 8.7.1.9 review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
 - (A) a discussion of any major issues which arose during the audit;
 - (B) the external auditor's explanation of how the risks to audit quality were addressed;
 - (C) the evidence received in relation to each area of significant judgement and review key accounting and audit judgements; and
 - (D) the external auditor's view of their interactions with senior management and members of the finance team; and
 - (E) levels of errors identified during the audit and explanations for unadjusted errors;
- 8.7.1.10 review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.7.1.11 review management's response to the external auditor's findings and recommendations; and
- 8.7.1.12 review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.

9. REPORTING RESPONSIBILITIES

- 9.1 The Committee chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:
 - 9.1.1 the significant issues that it considered in relation to the financial statements and how these were addressed;
 - 9.1.2 its assessment of the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans;
 - 9.1.3 the results of its risk management and internal compliance and control systems; and
 - 9.1.4 any other issues on which the Board has requested the Committee's opinion.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- 9.3 The Committee shall compile a report on its activities to be included in the Company's annual report. The report should describe the work of the Committee, including:
- 9.3.1 the significant issues that the Committee considered relating to the financial statements, and how these issues were addressed;
 - 9.3.2 an explanation of how it has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
 - 9.3.3 in the case of a Board not accepting the Committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the Committee explaining its recommendation and the reasons why the Board has taken a different position; and
 - 9.3.4 an explanation of how external auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services, having regard to matters communicated to it by the external auditor and all other information requirements set out in the Code (for so long as the Company has elected to voluntarily comply with such provisions of the Code).
- 9.4 In compiling the reports referred to in 9.1 and 9.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

10. OTHER MATTERS

- 10.1 The Committee shall:
- 10.1.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
 - 10.1.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
 - 10.1.3 give due consideration to all relevant laws and regulations, the provisions of the Code and published guidance, the requirements of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;
 - 10.1.4 be responsible for oversight of the coordination of the internal and external auditors;
 - 10.1.5 oversee any investigation of activities which are within its terms of reference and consider the major findings of internal investigations and management's response.

- 10.1.6 work and liaise as necessary with all other Board committees, ensuring interaction between Committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees; and
- 10.1.7 arrange for periodic reviews of its own performance and at least annually, review its constitution and these Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

11. AUTHORITY

11.1 The Committee is authorised by the Board to:

- 11.1.1 seek and obtain any information or document it requires from any employee of the Group in order to perform its duties;
- 11.1.2 obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so;
- 11.1.3 call any employee of the Group to be questioned at a meeting of the Committee as and when required;
- 11.1.4 undertake and investigate any activity within its terms of reference; and
- 11.1.5 have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.

These Terms of Reference shall be made available on the Group's website <https://nanoporetech.com>